

Financial Status Report

Prepared by the Finance Department













March 31, 2011

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through March 31, 2011. It compares revenues and expenditures for the first nine months of Fiscal Year 2010-11 and Fiscal Year 2009-10. In addition, the financial status of the Water and Wastewater Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

San Diego County Economic Indicators

February 2011			
 Index of Leading Economic Indicators	 Up 1.90%	 Stock Prices	 Up 0.39%
		 Consumer Confidence	 Up 1.52%
 Building Permits	 Up 5.11%	 Help Wanted Advertising	 Up 1.01%
 Unemployment Insurance	 Up 2.00%	 National Economy	 Up 1.55%

Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, March 31, 2011.

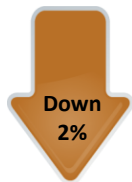
According to the USD Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 1.9 percent in February, following a 0.9 percent increase in January. February's increase was the largest one month increase ever in the Index and was powered by the largest monthly increase in building permits on record. Initial claims for unemployment insurance, consumer confidence, help wanted advertising, and the outlook for the national economy also had significant gains. Local stock prices registered the smallest gain, but that was enough to make February the second month in a row where all six components in the Index were positive.

With gains in January and February, the USD Index has now risen or been unchanged for nearly two years (23 consecutive months). February's record gain suggests a pickup in the pace of the local economic recovery, which has been slow. While the local economy has added almost 23,000 jobs since the depths of the recession in January 2010, that represents a recovery of less than 20 percent of the more than 122,000 jobs the local economy lost from the peak in December 2007. One result is that the local unemployment rate remains high, topping the 10 percent mark for 21 straight months through February.

Residential units authorized by building permits more than doubled in the first two months of 2011 compared to the same period in 2010. Single-family units authorized were actually down through February, but there were more than five times the number of multi-family units authorized than was the case in 2010. Both labor market variables were strong in February, with initial claims for unemployment insurance hitting their best level since September of 2008 and help wanted advertising at its highest level since November of 2008. The result was that the local unemployment rate fell to 10.1 percent in February, down from 10.4 percent in January. Local consumer confidence continues to rebound despite higher gas prices and a stubbornly high unemployment rate. Starting this month, changes in the national index of consumer expectations will be used to approximate local consumer confidence, as that data is no longer available. Local stock prices extended the gains seen at the end of 2010 and have now advanced for seven consecutive months. Prospects for the national economy remain positive, with the national Index of Leading Economic Indicators increasing for the eighth month in a row and 21st time in 23 months. The pace of national economic growth is slowly accelerating, with the GDP growing at a 3.1 percent annualized rate in the fourth quarter, up from 1.7 percent in the second quarter and 2.6 percent in the third quarter.¹

Top General Fund Revenues



Property Taxes (\$28.8 million) – In December, the city began to see a much larger flow of property tax revenues. Property taxes reflect a two percent decrease over Fiscal Year 2009-10. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have decreased by 1.3 percent for Fiscal Year 2010-11. The assessed values in San Diego County have decreased 1.56 percent. This is the second year that Carlsbad and the County of San Diego's assessed values have decreased from year to year. This reflects the continuing countywide slow down in property valuation and new construction, as well as an increase in foreclosures.

The primary reasons that property taxes for the first nine months of the new fiscal year have decreased by two percent as compared to the prior fiscal year are:

- Current taxes are up by \$290,000, or one percent, due to timing differences and a decrease in the delinquency rate.
- Aircraft taxes are down by \$426,000 due to one-time revenues received in the prior fiscal year.

¹ University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up Sharply in February*, March 31, 2011.

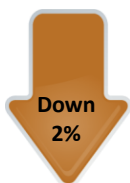
- Supplemental taxes are up by \$63,000 due either to timing differences and/or an increase in home resales whereby the sales price of the home exceeded the previous assessed value.
- Payments for previous years' taxes are down by \$578,000 due to reassessments of commercial and industrial property.
- Unitary taxes are up by \$70,000 due to timing differences.



Sales Taxes (\$17.8 million) – For the first nine months of the new fiscal year, sales tax revenues are \$2.1 million (or 14 percent) higher than the same time period in the previous fiscal year. Sales tax revenues to date represent the actual sales tax receipts for the second, third and fourth quarters of calendar year 2010, the first of two “triple flip” payments from the state, as well as the first advance of the city’s first calendar quarter of 2011 sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy. The primary factors in the increase over the prior fiscal year is the result of a 6.4 percent increase in sales tax revenues during the second calendar quarter of 2010; a 10.7 percent increase in sales tax revenues during the third calendar quarter of 2010; a 10.8 percent increase in sales tax revenues during the fourth calendar quarter of 2010; a 31.5 percent increase in the “triple flip” payment from the state due to economic growth and a negative correction made in the previous fiscal year; and the State Board of Equalization raising the monthly advance for the first calendar quarter of 2011 versus the same quarter last fiscal year by 9.3 percent.

For sales occurring in the third calendar quarter of 2010 (the most recent data available), key gains could be seen in office equipment, department stores, furniture/appliance stores, electronic equipment and apparel stores. During the same period, key declines could be seen in new and used auto sales, miscellaneous retail, and leasing. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were up four percent for sales occurring in the 12 months ended September 30, 2010 over the same 12-month period last year.

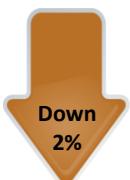
The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 64 percent of the city’s sales tax revenues.



February 2011.

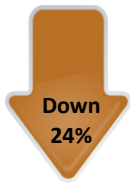
Transient Occupancy Tax (\$8.5 million) – Transient Occupancy Taxes (TOT) for the first nine months of the fiscal year reflect a decrease of \$138,000, two percent less than the previous year. Lower business volumes at two of the city’s larger hotels accounted for most of this variance, with one of the hotels undergoing a major renovation. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of

Currently, there are 3,617 hotel rooms and 1,042 vacation rentals (timeshares) in the city. The average occupancy of hotel rooms over the most recent twelve months has been 57 percent, one percentage point above last year’s average.



Business License Tax (\$2.7 million) – Business license revenues are down \$66,000 compared to Fiscal Year 2009-10. This decrease is due entirely to a timing difference in the receipt of two of the city’s larger annual license payments. These companies paid their previous year’s license in March, but have not yet paid for this year’s licenses.

There are currently 8,808 licensed businesses operating within the city, 67 more than last year’s 8,741. The majority of taxed businesses (6,162 businesses) are located in Carlsbad, with 2,591 of these businesses home-based.



Interdepartmental Charges (\$2.3 million) – Interdepartmental charges are \$708,000, or 24 percent lower than last year. These charges are generated through engineering services charged to capital projects (down 36 percent or \$340,000), reimbursed work from other funds (down 100 percent or \$8,000) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (down 18 percent or \$360,000). During the

previous fiscal year, the city went through a restructuring that moved several engineers and their associated costs to the city's enterprises (the Water and Wastewater Funds). This reduced the amount of engineering labor in the General Fund being charged to capital projects and the amount of miscellaneous interdepartmental expenses being charged to the enterprises.



Franchise Taxes (\$2.2 million) – Franchise taxes are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Year-to-date franchise taxes are up \$139,000 over the same period last year. A ten percent increase in cable television franchise revenues (Time Warner and AT&T), a ten percent

increase in the fiber optic antenna system franchise fee, and relatively flat trash collection fees have led to this increase.

Approximately 44 percent of the total franchise fee revenue anticipated for the year will be collected from SDG&E during the month of April 2011.



Ambulance Fees (\$1.9 million) – The city bills any individual who is transported in one of the city's ambulances. Through March 2011, receipts from ambulance fees are up five percent or \$88,000 higher than last fiscal year at this time. The number of billable transported patients in the first nine months of Fiscal Year 2010-11 (3,130) versus Fiscal Year 2009-10 (3,171) has decreased slightly. However, additional billings for mileage, supplies and medications have led to the increase in revenues.



Income from Investments and Property (\$1.9 million) – For the first nine months of the fiscal year, income from investments and property is down \$824,000 compared to the previous fiscal year.

Interest income is down for the year due to the combination of a 0.65 percent decrease in the average daily cash balance combined with a 20.1 percent decrease in the average yield on the portfolio for the first nine months of the fiscal year (a drop in the yield from 2.6 percent last fiscal year to 2.08 percent in the current fiscal year). In addition, during July 2009, the Village Project Area of the Redevelopment Agency paid back \$500,000 in interest on their advance from the General Fund. This did not occur in the current fiscal year.

Income from property rentals is lower by \$26,000 due in part to reduced park site rentals, senior center rentals, and library learning center rentals.



Development-Related Revenues (\$1.8 million) – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect an increase for the year. During the second half of the previous fiscal year, the city began to see an increase in development (primarily residential), throughout the city. The city originally projected that development-related revenues would continue to show

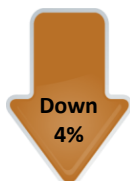
small growth from the previous fiscal year. Up until December 2010, development within the city had slowed down considerably. However, with the adoption of the 2010 California Building Codes, which became effective January 1,

2011, several residential developers pulled building permits for phases that had been in plan check. Pulling these building permits prior to the effective date allows them to construct these units without having to process revisions or code updates. Development has continued on a steady pace since the adoption of the new building code.

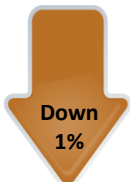
Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. One of the larger development related revenue sources thus far in the year is engineering plan check fees, which is one of the first fees paid during the initial stages of development. Some of the activity in March included the development of the new Legoland Hotel, the new Hilton Carlsbad Oceanfront Resort & Spa, the Tides residential community, the Muroya condominium project, renovations at Life Technologies, and the development of several small subdivisions.

Another source of development related revenue is building permits, which are up 7 percent as compared to last fiscal year. The increase in building permit revenue is derived from the combination of an increase in the valuation of new construction combined with an increase in the number of residential and commercial/industrial building permits issued. The year-to-date valuation of new construction in the current fiscal year is just under \$132.3 million, while it was just over \$116.7 million in the previous fiscal year, a 13.3 percent increase. The pace of construction increased in the month of March as builders pulled permits for 20 homes. In the southeast quadrant, 12 permits were issued for single-family homes located in the Mirasol neighborhood in La Costa Greens; six permits were issued for single-family homes as part of the Wescott neighborhood in La Costa Oaks North; and two permits were issued for single-family homes in Magnolia Estates. For the first nine months of the fiscal year, 191 residential permits were issued, as compared to 236 permits issued during the same period last year.

One permit was issued during the month of March for 204,613 square feet of new commercial space for the 215-room Hilton Carlsbad Beach Resort. Year-to-date there has been a combined 498,039 square feet in commercial/industrial permits issued, as compared to 98,899 square feet at this time in Fiscal Year 2009-10.



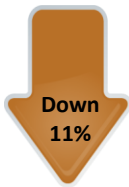
Recreation Fees (\$1.3 million) – Recreation fees are generated through instructional classes, camps, youth and adult sports, the triathlon, special events, parent participation preschool, senior programs, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue is \$51,000 lower than the previous fiscal year. The largest factors in this year's decrease are lower participation in youth and adult sports, instructional classes (lower enrollment and fewer classes being offered), senior trips/classes (senior trips stopped after the first quarter of the previous fiscal year), recreational swim and aquatic programs (impacted by the renovations at Carlsbad High School), and reduced enrollment in the preschool program. These decreases were partially offset by higher participation in aquatic lessons, special events, the triathlon, and day camps.



Other Revenue Sources (\$840,000) – Other revenue sources have decreased by \$6,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and refunds of prior year fees.



Other Intergovernmental Revenues (\$836,000) – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$836,000 received this year are reimbursements from local school districts for school resource officers, reimbursements for Peace Officer Standards and Training (POST), a state homeland security grant, a federal grant enhancing security along the border, state library grants, a habitat restoration grant, state mandated costs reimbursements and law enforcement assistance. A major factor in this year's increase is the timing of the payments received from the school districts.



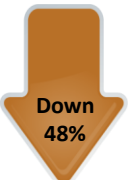
Fines and Forfeitures (\$718,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The largest factor in the decrease in revenues is a reduction in the number of parking citations being issued by the city. Another factor in this decrease is the fact that moving violations during the first quarter of Fiscal Year 2010-11 (July – September) were down 27 percent. However, significant data backlogs at the traffic court prevent accurate reporting of current citation numbers.



Other Licenses and Permits (\$589,000) – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity.



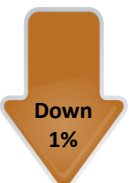
Transfer Taxes (\$514,000) – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. A recent upturn in home resales has led to the increase in transfer taxes.



Other Charges or Fees (\$411,000) – Other charges and fees are generated through the sale of city documents such as agenda bills, blueprints and copies, general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs, audio/visual rental fees, and general services such as mutual aid response, mall police services, emergency response services, reports, etc. The largest factor contributing to the year-to-date decrease is the reimbursement received from the City of Los Angeles for the Batiquitos Lagoon enhancement project, including reimbursing the city for administrative costs, in the prior fiscal year.



Vehicle License Fees (\$245,000) – Vehicle License Fees (VLF) have increased by \$51,000 over 2009-10 figures. VLF revenues are allocated to the various jurisdictions throughout the state on a prorated basis, based on population. VLF collected through March 2011 represents transactions occurring through February 2011. A recent upturn in new car sales has led to this increase.



Homeowners' Exemptions (\$186,000) – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners' Exemption revenue and is shown under intergovernmental revenues.

Expenditures

Total General Fund expenditures and encumbrances through the month of March 2011 are \$84.9 million, compared to \$89.5 million at the same time last year. This leaves \$48.8 million, or 36.5 percent, available through the fiscal year-end on June 30, 2011. If funds were spent in the same proportion as the previous year, the General Fund would have 34.6 percent available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at March 31, 2011 is 31.1 percent, slightly less than the 31.5 percent available at March 31, 2010. Due to the continuation of the "Great Recession," there was only a small difference between the General Fund budget adopted for Fiscal Year 2010-11 and Fiscal Year 2009-10. The spending level in the prior fiscal year was slightly higher through the first nine months compared to the current fiscal year. A major factor in this difference was the funding of the Human Capital Management System (HCMS) that was transferred from the General Fund to the General Capital Construction Fund last fiscal year.

The City Council has allocated \$500,000 out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of March 31, 2011, \$6,980 has been authorized out of the contingency account, as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$500,000		
USES:			
"In Kind" Service Assistance for the 2010 Carlsbad High School Homecoming Parade	(3,422)	09/28/2010	2010-230
"In Kind" Service Assistance for the Carlsbad Christmas Bureau	(2,563)	11/23/2010	2010-255
"In Kind" Service Assistance for the Mitchell Thorp Foundation	(995)	01/11/2011	2011-008
TOTAL USES	<u>(6,980)</u>		
AVAILABLE BALANCE	<u><u>\$493,020</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 03/31/11	ACTUAL FY 2010 AS OF 03/31/10	ACTUAL FY 2011 AS OF 03/31/11	CHANGE FROM YTD 2010 TO YTD 2011	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$28,842,225	\$29,423,992	\$28,843,092	(\$580,900)	-2%
SALES TAX	15,799,571	15,700,602	17,820,615	2,120,013	14%
TRANSIENT TAX	9,042,090	8,683,496	8,545,083	(138,413)	-2%
FRANCHISE TAX	2,112,844	2,072,352	2,211,034	138,682	7%
BUSINESS LICENSE TAX	2,803,026	2,799,608	2,733,977	(65,631)	-2%
TRANSFER TAX	441,766	416,289	513,774	97,485	23%
TOTAL TAXES	59,041,521	59,096,339	60,667,575	1,571,236	3%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	256,512	194,260	244,882	50,622	26%
HOMEOWNERS EXEMPTIONS	190,508	188,080	186,483	(1,597)	-1%
OTHER	641,441	681,802	836,042	154,240	23%
TOTAL INTERGOVERNMENTAL	1,088,460	1,064,142	1,267,407	203,265	19%
LICENSES AND PERMITS					
BUILDING PERMITS	474,718	527,572	565,884	38,312	7%
OTHER LICENSES & PERMITS	556,028	554,770	589,054	34,284	6%
TOTAL LICENSES & PERMITS	1,030,746	1,082,342	1,154,938	72,596	7%
CHARGES FOR SERVICES					
PLANNING FEES	321,787	289,725	145,277	(144,448)	-50%
BUILDING DEPARTMENT FEES	450,429	397,029	520,685	123,656	31%
ENGINEERING FEES	601,066	470,467	569,855	99,388	21%
AMBULANCE FEES	1,971,984	1,805,604	1,893,377	87,773	5%
RECREATION FEES	1,377,836	1,347,632	1,297,052	(50,580)	-4%
OTHER CHARGES OR FEES	401,053	790,802	411,341	(379,461)	-48%
TOTAL CHARGES FOR SERVICES	5,124,156	5,101,259	4,837,587	(263,672)	-5%
FINES AND FORFEITURES	861,062	808,223	718,264	(89,959)	-11%
INCOME FROM INVESTMENTS & PROPERTY	2,590,152	2,704,265	1,880,515	(823,750)	-30%
INTERDEPARTMENTAL CHARGES	2,076,793	2,974,931	2,266,874	(708,057)	-24%
OTHER REVENUE SOURCES	832,226	846,487	840,274	(6,213)	-1%
TRANSFERS IN	455	600,000	4,028	(595,972)	-100%
TOTAL GENERAL FUND	\$72,645,571	74,277,988	\$73,637,462	(\$640,526)	-1%
(1)					
(1) Calculated General Fund revenues are 1.4% above estimates as of March 31, 2011.					

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
DEPT DESCRIPTION	TOTAL BUDGET FY 2010-11	AS OF 03/31/11		% AVAILABLE*
		AMOUNT COMMITTED (b)	AVAILABLE BALANCE	
POLICY/LEADERSHIP GROUP				
CITY COUNCIL	\$416,011	\$253,561	\$162,450	39.0%
CITY MANAGER	1,722,462	1,122,121	600,341	34.9%
COMMUNICATIONS	930,056	735,646	194,410	20.9%
CITY CLERK	293,504	164,330	129,174	44.0%
CITY ATTORNEY	1,387,154	957,882	429,272	30.9%
CITY TREASURER	214,915	131,221	83,694	38.9%
RECORDS MANAGEMENT	879,071	557,900	321,171	36.5%
TOTAL POLICY/LEADERSHIP	5,843,173	3,922,661	1,920,512	32.9%
INTERNAL SERVICES				
FINANCE	4,057,212	2,797,568	1,259,644	31.0%
HUMAN RESOURCES	2,964,089	1,933,647	1,030,442	34.8%
PROPERTY AND ENVIRONMENTAL MANAGEMENT	5,951,663	4,349,757	1,601,906	26.9%
TOTAL INTERNAL SERVICES	12,972,964	9,080,972	3,891,992	30.0%
PUBLIC SAFETY				
POLICE	28,535,220	20,485,360	8,049,860	28.2%
FIRE	16,649,838	11,894,526	4,755,312	28.6%
TOTAL PUBLIC SAFETY	45,185,058	32,379,886	12,805,172	28.3%
COMMUNITY DEVELOPMENT				
COMMUNITY AND ECONOMIC DEVELOPMENT	10,420,803	7,004,976	3,415,827	32.8%
HOUSING AND NEIGHBORHOOD SERVICES	466,838	304,358	162,480	34.8%
TOTAL COMMUNITY DEVELOPMENT	10,887,641	7,309,334	3,578,307	32.9%
COMMUNITY SERVICES				
PARKS AND RECREATION	14,233,699	9,310,060	4,923,639	34.6%
LIBRARY AND ARTS	11,602,077	7,714,485	3,887,592	33.5%
TOTAL COMMUNITY SERVICES	25,835,776	17,024,545	8,811,231	34.1%
PUBLIC WORKS				
TRANSPORTATION	10,869,962	7,136,162	3,733,800	34.3%
UTILITIES	288,319	183,960	104,359	36.2%
TOTAL PUBLIC WORKS	11,158,281	7,320,122	3,838,159	34.4%
NON-DEPARTMENTAL & CONTINGENCY				
OTHER NON-DEPARTMENTAL (a)	13,652,546	405,967	13,246,579	97.0%
TRANSFERS OUT	7,635,850	7,428,850	207,000	2.7%
CONTINGENCY	493,020	0	493,020	100.0%
TOTAL NON-DEPT & CONTINGENCY	21,781,416	7,834,817	13,946,599	64.0%
TOTAL GENERAL FUND	\$133,664,309	\$84,872,337	\$48,791,972	36.5%

(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

* Amount available would be 34.6% if funds were spent in the same proportion as the previous year.

Water Enterprise

WATER OPERATIONS FUND MARCH 31, 2011					
	BUDGET FY 2010-11	YTD (*) 03/31/2010	YTD (*) 03/31/2011	CHANGE FROM YTD 2009-10 TO YTD 2010-11	PERCENT CHANGE
REVENUES:					
WATER DELIVERY	25,903,557	17,883,612	18,503,670	620,058	3.5%
MISC. SERVICE CHARGES	203,000	199,964	190,093	(9,871)	-4.9%
PROPERTY TAXES	2,730,000	1,667,571	1,655,318	(12,253)	-0.7%
FINES, FORFEITURES & PENALTIES	232,000	198,738	210,534	11,796	5.9%
OTHER REVENUES	628,927	345,575	3,393,303	3,047,728	881.9%
TOTAL OPERATING REVENUE	29,697,484	20,295,460	23,952,918	3,657,458	18.0%
EXPENSES:					
STAFFING	3,479,854	2,087,459	2,480,656	393,197	18.8%
INTERDEPARTMENTAL SERVICES	1,963,573	1,948,278	1,430,591	(517,687)	-26.6%
PURCHASED WATER	14,580,578	9,884,799	9,207,928	(676,871)	-6.8%
MWD/CWA FIXED CHARGES	4,277,737	2,569,931	3,120,079	550,148	21.4%
OUTSIDE SERVICES/MAINTENANCE	1,238,290	384,495	521,838	137,343	35.7%
DEPRECIATION/REPLACEMENT	3,968,000	2,694,750	2,976,000	281,250	10.4%
CAPITAL OUTLAY	14,479	166,524	-	(166,524)	-100.0%
MISCELLANEOUS EXPENSES	1,842,183	899,693	1,331,433	431,740	48.0%
TOTAL OPERATING EXPENSES	31,364,694	20,635,929	21,068,525	432,596	2.1%
OPERATING INCOME/(LOSS)	(1,667,210)	(340,469)	2,884,393	3,224,862	947.2%

(*) Adjusted to reflect timing differences for water purchases and depreciation.

Revenues

- The increase in water delivery revenues is the net result of a combination of a seven percent decrease in the number of water units sold and an average 18 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2011.
- A decrease in new account setup fees, same day turn on fees and new account charges is reflected in the decrease in miscellaneous service charges.
- Higher fines, forfeitures and penalties are the result of an increase in late charges due to rate increases that have occurred over the past couple of years.
- Reimbursements received by the Enterprise from the prior year Marbella lawsuit have led to the increase in other revenues.

Expenses

- A recent citywide reorganization moved some employees from the General Fund to the Water Enterprise. This resulted in higher staffing expenses and a reduction in interdepartmental services for the Enterprise.
- Although the amount of purchased water has decreased by 13 percent, two rate increases from the SDCWA that have occurred over the past couple of years, partially offset some of these savings.
- The purchase of valve maintenance equipment, new software and a new truck in the prior fiscal year is reflected in the decrease in capital outlay expenses for the year.
- The replacement of old meters with new automated meters is reflected in the higher outside services/maintenance and miscellaneous expenses.

Outlook

Currently, the operating results for the Enterprise reflect a year-to-date gain of \$2.9 million. A \$3.1 million insurance reimbursement from the prior year Marbella lawsuit has led to this gain for the year. In addition, a rate increase went into effect in January 2011. Based on activity to date, it is projected that the Enterprise will have a surplus between \$1.5 million and \$3 million by the end of the fiscal year.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND					
MARCH 31, 2011					
	BUDGET FY 2010-11	YTD (*) 03/31/2010	YTD (*) 03/31/2011	CHANGE FROM YTD 2009-10 TO YTD 2010-11	PERCENT CHANGE
REVENUES:					
CHARGES FOR CURRENT SERVICES	9,672,083	6,992,561	7,306,485	313,924	4.5%
INTEREST	51,000	24,661	21,936	(2,725)	-11.0%
OTHER REVENUES	369,113	98,153	202,818	104,665	106.6%
TOTAL OPERATING REVENUE	10,092,196	7,115,375	7,531,239	415,864	5.8%
EXPENSES:					
STAFFING	2,190,929	1,145,743	1,538,672	392,929	34.3%
INTERDEPARTMENTAL SERVICES	843,809	950,448	627,268	(323,180)	-34.0%
ENCINA PLANT SERVICES	3,107,030	2,259,336	2,330,273	70,937	3.1%
OUTSIDE SERVICES/MAINTENANCE	614,149	189,930	176,077	(13,853)	-7.3%
DEPRECIATION/REPLACEMENT	3,451,000	2,439,000	2,588,250	149,250	6.1%
CAPITAL OUTLAY	0	20,795	0	(20,795)	-100.0%
MISCELLANEOUS EXPENSES	552,417	295,868	378,344	82,476	27.9%
TOTAL OPERATING EXPENSES	10,759,334	7,301,120	7,638,884	337,764	4.6%
OPERATING INCOME/LOSS	(667,138)	(185,745)	(107,645)	78,100	42.0%

(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.

Revenues

- The increase in charges for current services is primarily the result of an additional 2,061 new residential account fees over the past twelve months, as well as a ten percent rate increase that went into effect in January 2011.
- The increase in other revenues is the result of engineers within the Enterprise charging their time to capital improvement projects.

Expenses

- A recent citywide reorganization moved some employees from the General Fund to the Wastewater Enterprise. This resulted in higher staffing expenses and a reduction in interdepartmental services for the Enterprise.
- Encina plant services to date are the actual costs for the first and second quarters of the fiscal year, a prior year adjustment and an estimate of the third quarter billing.
- Additional vector rental expenses in the prior fiscal year is a major factor in this year's outside services/maintenance variance.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment and replaces old equipment.
- The purchase of replacement parts and the repairs and maintenance of numerous sewer lift stations has impacted miscellaneous expenses.

Outlook

Currently, the operating results for the Enterprise reflect a year-to-date loss of \$107,645. Based on activity to date, it is projected that the Enterprise will end the year with operating income over operating expenses between a deficit of \$670,000 and operating income of \$390,000, as the largest expenses for the Enterprise, Encina plant and depreciation expenses, are only recorded on a quarterly basis. In addition, during the second half of the fiscal year the Enterprise will see higher revenues due to the recent rate increase. There is a sufficient retained earnings balance to cover this projected deficit.

Redevelopment Agency

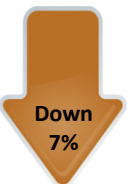
CARLSBAD REDEVELOPMENT AGENCY VILLAGE PROJECT AREA OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS MARCH 31, 2011					
	BUDGET	YTD	YTD	CHANGE FROM	PERCENT
	FY 2010-11	03/31/2010	03/31/2011	YTD 2009-10 TO	CHANGE
				YTD 2010-11	
REVENUES					
PROPERTY TAXES	2,580,000	1,666,668	1,683,815	17,147	1.0%
INTEREST	28,000	33,486	24,929	(8,557)	-25.6%
OTHER REVENUES	19,000	15,178	17,890	2,712	17.9%
TOTAL OPERATING REVENUE	2,627,000	1,715,332	1,726,634	11,302	0.7%
EXPENDITURES					
STAFFING	170,559	123,307	126,695	3,388	2.7%
INTERDEPARTMENTAL SERVICES	77,515	58,217	58,136	(81)	-0.1%
RENTALS & LEASES	55,078	51,238	50,777	(461)	-0.9%
DEBT EXPENSE	1,321,740	1,045,328	1,043,947	(1,381)	-0.1%
CAPITAL OUTLAY	1,844,938	54,072	31,237	(22,835)	-42.2%
OUTSIDE SERVICES, MAINT & MISC	436,042	193,542	102,886	(90,656)	-46.8%
TOTAL OPERATING EXPENDITURES	3,905,872	1,525,704	1,413,678	(112,026)	-7.3%
TOTAL OPERATING REVENUES OVER EXPENDITURES	(1,278,872)	189,628	312,956	123,328	65.0%

Revenues



- According to the San Diego County Assessor, assessed values in the Village Project Area have increased by 0.59 percent in Fiscal Year 2010-11.
- Interest revenues have decreased due to the combination of a 15 percent decrease in the average cash balance for the year and a 20.1 percent decrease in the yield on the Treasurer's portfolio.
- An increase in building rentals has impacted other revenues for the first nine months of the fiscal year.

Expenditures



- The small increase in staffing expenditures is due to slightly higher salaries and related benefits.
- Parking lot and building rentals are encumbered in full at the beginning of the fiscal year.
- Both bond service payments have been made for the fiscal year.
- In the prior fiscal year, costs related to the installation of additional street lights could be seen in the higher capital outlay expenditures.
 - The costs associated with concrete repairs; the retrofitting of street lights to be more energy efficient; and additional signage were higher in the previous fiscal year at this time, and this reduction is reflected in the lower outside services, maintenance and miscellaneous expenditures in the current fiscal year.

Outlook

Depending on the how quickly the capital improvements for the New Village Arts building are completed, it is anticipated that the Agency will end the year with operating revenues over operating expenditures between a deficit of \$500,000 and net income of \$500,000 due to higher than anticipated property tax revenues and lower than projected expenditures for the year. There is a sufficient fund balance to cover the projected deficit.